

EXHIBIT 1

INTRODUCTION

Respondent Signature Properties, Inc., is a corporation in the home building industry. Respondent made political contributions totaling \$42,227 during the first semi-annual period of January 1, 2000 through June 30, 2000, and totaling \$76,024 during the second semi-annual period of July 1, 2000 through December 31, 2000. Due to the size of the contributions, Respondent thereby became a “major donor” committee, which was required by the Political Reform Act (the “Act”)¹ to file campaign statements reporting the contributions. Respondent failed to timely file major donor campaign statements for either period, in violation of section 84200, subdivision (b) of the Act. (Counts one and two.)

Respondent also failed to timely report its \$7,500 contribution to “Committee on the 3R’s,” which is a controlled committee of Senator Don Perata, made on February 25, 2000. This was during the “late contribution period” prior to the March 7, 2000 primary election, in which Senator Perata was a candidate. Because this contribution was made within the late contribution period prior to an election, Respondent was required to report the contribution in a late contribution report, that was supposed to have been filed within 24 hours after the contribution was made. Respondent failed to file this required statement in a timely manner, in violation of section 84203, subdivision (b) of the Act. (Count three.)

As Respondent’s contributions exceeded \$50,000 for the calendar year, Respondent was also required to file its major donor statement electronically for the second semi-annual reporting period. Respondent failed to file the major donor statement electronically, in violation of section 84605, subdivision (a). (Count four.)

For the purposes of this Default Decision and Order, Respondent’s violations of the Political Reform Act are stated as follows:

Count 1: On or about July 31, 2000, Respondent Signature Properties, Inc. failed to timely file a major donor campaign statement for the reporting period January 1, 2000 through June 30, 2000, in violation of Government Code section 84200, subdivision (b).

¹ The Political Reform Act is contained in sections 81000 through 91014 of the Government Code. All statutory references are to the Government Code unless otherwise indicated. The regulations of the Fair Political Practices Commission, enacted pursuant to the provisions of the Act, are contained in sections 18000, *et seq.*, of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

- Count 2: On or about January 31, 2001, Respondent Signature Properties, Inc. failed to timely file a major donor campaign statement for the reporting period July 1, 2000 through December 31, 2000, in violation of Government Code section 84200, subdivision (b).
- Count 3: On or about February 26, 2000, Respondent Signature Properties, Inc. failed to file a late contribution report within 24 hours of making a late contribution of \$7,500, in violation of Government Code section 84203, subdivision (b).
- Count 4: On or about January 31, 2001, Respondent Signature Properties, Inc. failed to timely file a major donor statement electronically, in violation of Government Code section 84605, subdivision (a).

THE ADMINISTRATIVE PROCEDURE ACT

Pursuant to the Administrative Procedure Act (the “APA”),² a respondent is entitled to a hearing on the merits of an Accusation if the respondent files a Notice of Defense within 15 days after service of the Accusation. (Sec. 11506.) The APA further provides that a respondent’s failure to file a Notice of Defense within 15 days after service of an Accusation constitutes a waiver of the respondent’s right to a hearing. (Sec. 11506, subd. (c).) A default decision may be issued if the respondent fails to file a Notice of Defense within 15 days of service of the Accusation. (Sec. 11520, subd. (a).)

On March 20, 2002, the Accusation in this matter was personally served on Marc Stice, General Counsel and designated agent for service of process for Respondent Signature Properties, Inc. Proof of service of the Accusation is attached hereto as Attachment A. Along with the Accusation, the Enforcement Division served Mr. Stice with a “Statement to Respondent” which notified Mr. Stice that Respondent Signature Properties, Inc. could request a hearing on the merits and warned him that, unless a Notice of Defense was sent within fifteen days of service of the Accusation, Respondent would be deemed to have waived its right to a hearing. Respondent has failed to file a Notice of Defense.

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to assure that receipts and expenditures in election campaigns are fully and truthfully disclosed, in order that voters may be fully informed, and improper practices may be inhibited. The Act therefore establishes a campaign reporting system designed to accomplish this purpose of disclosure.

² The Administrative Procedure Act is contained in Government Code sections 11370 – 11529.

Counts 1 and 2-Major Donor Statements

One feature of the campaign reporting system, found at section 82013, subdivision (c), is that any person who makes contributions totaling ten thousand dollars (\$10,000) or more in a calendar year qualifies as a committee. As a committee, this “major donor” is required by the Act to file campaign statements.

Section 84200, subdivision (b) requires any person who qualifies as a major donor committee under section 82013, subdivision (c), to file semi-annual campaign statements each year, no later than July 31 for the period ending June 30, and no later than January 31 for the period ending December 31, if the person has made any contributions or independent expenditures during the six-month period covered by the statement.

Count 3-Late Contribution Reports

Section 84203 requires every committee that makes a “late contribution,” as defined in section 82036, to file a late contribution report within twenty-four (24) hours after making the contribution. Section 82036 defines a “late contribution” as any contribution that totals one thousand dollars (\$1,000) or more, and is made to a candidate, a controlled committee, or a primarily formed committee, during the period before an election, but after the closing date of the last campaign statement required to be filed before the election.

Every committee that makes a late contribution must report it by mailgram, telegram, guaranteed overnight mail through the United States Postal Service, or personal delivery, within 24 hours of the time it is received. (Sec. 84203, subd. (b).) Late contribution reporting serves an important function, by informing voters of contributions received during the crucial last two weeks prior to an election.

Count 4-Electronic Filing

Section 84605, subdivision (a) requires that, beginning July 1, 2000, major donor committees which raise or spend contributions totaling fifty thousand dollars (\$50,000) or more in a calendar year, must file all required campaign reports online or electronically with the Secretary of State.

SUMMARY OF THE FACTS

Count 1: Failure to timely file a semi-annual major donor statement by July 31, 2000, in violation of section 84200, subdivision (b) of the Government Code.

Respondent failed to timely file a major donor statement reporting \$42,227 in political contributions that it made during the first semi-annual period of January 1, 2000 through June 30, 2000. By failing to file this report by July 31, 2000, Respondent violated section 84200, subdivision (b) of the

Government Code.

Count 2: Failure to timely file a semi-annual major donor statement by January 31, 2001, in violation of section 84200, subdivision (b) of the Government Code.

Respondent failed to timely file a major donor statement reporting \$76,024 in political contributions that it made during the second semi-annual period of July 1, 2000 through December 31, 2000. By failing to file this report by January 31, 2001, Respondent violated section 84200, subdivision (b) of the Government Code.

Count 3: Failure to file a late contribution report within 24 hours of making the contribution, in violation of section 84203, subdivision (b) of the Government Code.

Respondent failed to timely file a late contribution report disclosing its \$7,500 contribution on February 25, 2000, to "Committee on the 3R's," which is a controlled committee of Senator Don Perata. By failing to file this report by February 26, 2000, Respondent violated section 84203, subdivision (b) of the Government Code.

Count 4: Failure to file a semi-annual major donor statement electronically, in violation of section 84605, subdivision (a) of the Government Code.

During the second semi-annual reporting period, Respondent's contributions exceeded \$50,000 for the calendar year. Respondent thereby became obligated to file its major donor statement for that period online or electronically with the Secretary of State. By failing to electronically file its major donor statement for the second semi-annual reporting period by January 1, 2001, Respondent violated section 84605, subdivision (a).

ADDITIONAL INFORMATION

Respondent has previously filed campaign statements as a major donor committee, and has in-house counsel who is responsible for accomplishing this task. Nonetheless, Respondent has failed to cooperate with the Commission, despite numerous attempts to gain compliance. The Fair Political Practices Commission's Technical Assistance Division sent a courtesy letter to Respondent on July 5, 2000, informing Respondent that it appeared to have qualified as a major donor committee, and was required to file a major donor campaign statement on or before July 31, 2000. Respondent failed to reply to the letter, or to file the campaign statement by the due date.

On October 5, 2000, the FPPC's Enforcement Division sent a letter to Respondent requesting information about its filing status, and directing Respondent to file a major donor statement immediately. Respondent failed to respond to this letter, or to file the delinquent campaign statement.

On November 20, 2000, the Enforcement Division sent a letter to Respondent by certified mail, that included a questionnaire regarding Respondent's filing status. On December 11, 2000, Respondent's General Counsel, Marc Stice, returned the questionnaire to the FPPC acknowledging that Respondent was indeed a major donor committee and stating that Respondent would file the delinquent statements by December 22, 2000. No further communication was received from Respondents until Commission Investigator Jon Wroten telephoned Mr. Stice on April 2, 2001. In the interim, Respondents failed to file their second semi-annual campaign report for 2000, despite making \$76,024 in political contributions in the second half of 2000.

When Investigator Wroten reached Mr. Stice by telephone on April 2, Mr. Stice again promised to look into the matter and to call Mr. Wroten back the next day. Again, Mr. Stice failed to reply to the Enforcement Division or to file the delinquent campaign statements until Mr. Wroten contacted him again on May 3, 2001, by leaving Mr. Stice a voicemail message. Mr. Stice returned this message on May 8, 2001 and the Enforcement Division finally received the two delinquent semi-annual reports on May 14, 2001. Respondent still has failed to file the second semi-annual major donor campaign statement for 2000 electronically, as required.

On October 16, 2001, Respondent Signature Properties, Inc., by way of its General Counsel and designated agent for service of process, Marc Stice, was served with a Report in Support of A Finding of Probable Cause, the first step in the enforcement process. Respondent failed to reply in any way.

On December 27, 2001, Respondent Signature Properties, Inc., by way of its General Counsel and designated agent for service of process, Marc Stice, was served with an Order issued by Executive Director Mark Krausse, finding that Probable Cause had been established that Respondent had committed the four alleged violations of the Political Reform Act.

On March 20, 2002, Respondent Signature Properties, Inc.'s General Counsel and designated agent for service of process, Marc Stice, was personally served with an Accusation alleging four violations of the Political Reform Act, as set forth above. As of today's date, Respondent Signature Properties, Inc. has failed to respond in any way. By failing to file a Notice of Defense, Respondent has waived its right to an administrative hearing on this matter.

CONCLUSION

This matter consists of four counts, which carry a maximum possible administrative penalty of fourteen thousand dollars (\$14,000).³ Respondent's violations are serious. Respondent's violations were not isolated, but formed a pattern of willful disregard for its reporting obligations under the Act. Respondent is a corporation in the home building industry. Respondent is an experienced political contributor with a full-time general counsel who is responsible for assuring its compliance with the disclosure requirements of the Act. In the year 2000, Respondent made political contributions totaling \$118,251, and failed to timely disclose any of these contributions. Respondent made a contribution of \$7,500 in the late reporting period, and failed to timely report that contribution. Respondent, due to the size of its contributions, was also required to file its disclosure statements electronically, and failed to do so. By failing to disclose any of these contributions in a timely fashion as required, Respondents deprived the public of significant information to which it was entitled, undermining one of the central purposes of the Act.

For the foregoing reasons, the maximum penalty of \$14,000 is justified.

³ Prior to January 1, 2001, Government Code section 83116 provided that violations of the Political Reform Act were punishable by an administrative penalty of up to \$2,000. Proposition 34, approved by voters in November 2000, repealed those penalties and added the new section 83116, which provides that violations committed on or following January 1, 2001 are punishable by administrative penalties of up to \$5,000 per violation. Because the violations in counts one and three were committed prior to January 1, 2001, the maximum penalty applicable to each of those violations is \$2,000. The violations in counts two and four, having been committed after January 1, 2001, each carry a maximum penalty of \$5,000.